B8130-3-A

Route:

_____

_____

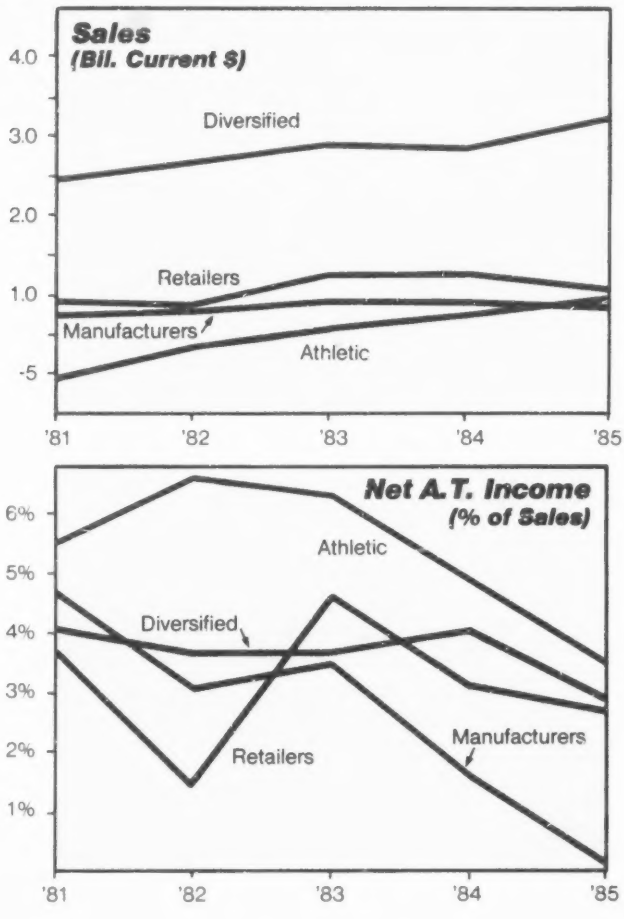
_____

# The KSA PERSPECTIVE

Published by Kurt Salmon Associates June, 1986

# Footwear Profile for 1985

## Five Year Results – Footwear




Sales and profits decline for 27 public firms; manufacturers' performance worst among sectors

The footwear industry stubbed its collective toe in 1984, interrupting a long, steady climb, and last year it appeared to go down hill. If 1985's slide was caused primarily by excess inventories and costly competitive measures in a static market, it should be brief and reversible. Although some domestic shoe manufacturers may have difficulty recovering from a very tough year, others have already shown signs of improvement.

Sales for the group of 27 publicly owned footwear companies profiled for fiscal 1985 dipped a mere 0.3%, but this was magnified into a 29% drop in profit dollars. As a result, composite net income on sales came to only 2.5%, and return on total equity slipped from 13% to 9% – their lowest levels for any Footwear Profile.

Gross profit for this year's sample held remarkably steady at 35.6%; it was 35.1% in 1981. However, SG&A has increased by three points during the same span and is now over 29% of volume. The extra $83 million spent by the group on sales and administrative expenses last year was only a million dollars less than the composite profit decline. With sales static, that is expensive churning.

The inventory back-up that developed in 1984 was alleviated somewhat last year. However, slow sales brought

Copyright June, 1986 by Kurt Salmon Associates, Inc.

# SALES AND EARNINGS*

| SALES RANK 1985 | Company | Sales ($000) | Net Income ($000) |
|---|---|---|---|
| 1 | U.S. Shoe Corp. 01/85-D | 1,717,401 | 53,432 |
| | 01/86 | 1,920,225 | 64,875 |
| 2 | Melville Corp. 12/85-C | 1,506,243 | 158,022 § |
| 3 | F.W. Woolworth 01/85-C | 1,419,000 | 155,000 § |
| 4 | Brown Group, Inc. 10/85-D | 1,400,077 | 37,814 |
| 5 | Nike, Inc. 05/85-A | 946,371 | 10,270 |
| 6 | Edison Brothers 12/85-R | 808,300 | 27,000 |
| 7 | Genesco 01/85-D | 596,012 | 16,365 |
| | 01/86 | 538,486 | −33,929 |
| 8 | Interco 02/85-C | 580,467 | 54,727 § |
| | 02/86 | 558,300 | 48,475 § |
| 9 | May Co. 01/85-C | 543,400 | 77,600 § |
| | 01/86 | 696,700 | 97,600 § |
| 10 | Morse Shoe, Inc. 12/85-R | 540,961 | 7,164 |
| 11 | Wolverine World Wide, Inc. 12/85-M | 389,457 | 3,965 |
| 12 | Reebok International 12/85-A | 306,969 | 38,962 |
| 13 | The Stride Rite Corp. 11/85-M | 277,310 | 11,178 |
| | 02/86 | 281,184 | 13,143 |
| 14 | SCOA 01/85-C | 221,670 | 3,884 § |
| 15 | Converse, Inc. 12/85-A | 219,920 | 3,714 |
| | 03/86 | 215,739 | 2,719 |
| 16 | Chesebrough-Pond's 12/85-C | 170,462 | −21,456 § |
| 17 | Shoe-Town, Inc. 12/85-R | 143,142 | 8,094 |
| 18 | Weyenberg Shoe Mfg. Co. 12/85-M | 111,512 | 4,779 |
| | 03/86 | 112,192 | 4,834 |
| 19 | R.G. Barry Corp. 12/85-M | 95,710 | −910 |
| | 03/86 | 92,118 | 126 |
| 20 | Craddock-Terry Shoe 09/85-M | 85,031 | 1,311 |
| | 12/85 | 85,949 | 1,682 |
| 21 | Suave Shoe Corp. 09/85-M | 84,023 | −5,440 |
| | 03/86 | 78,985 | −2,681 |
| 22 | Amfesco 06/85-M | 69,465 | −18,718 |
| 23 | Tony Lama Company, Inc. 12/85-M | 67,279 | −524 |
| 24 | Hyde Athletic Ind. 12/85-A | 57,461 | −475 |
| 25 | Wiener Enterprises, Inc. 01/85-R | 55,413 | 3,150 |
| | 01/86 | 58,194 | 1,996 |
| 26 | Spencer Co. 05/85-C | 45,800 | 700 § |
| 27 | B.B. Walker Company 10/85-M | 39,170 | −487 |
| 28 | Sporto Corp. 01/85-M | 30,070 | −1,445 |
| | 10/85 | 30,019 | −1,239 |
| 29 | Shaer Shoe Corp. 10/85-M | 27,578 | 1,895 |
| 30 | Daniel Green Co. 12/85-M | 24,556 | 1,717 |
| 31 | The Cherokee Group 11/85-C | 24,253 | + |
| 32 | International Seaway 12/85-M | 22,955 | 1,223 |
| 33 | McRae Industries, Inc. 07/85-M | 22,339 | 833 |
| 34 | Wellco Enterprises 06/85-M | 15,416 | 1,602 |
| | 12/85 | 13,053 | 1,442 |
| 35 | Penobscot Shoe 11/35-M | 11,829 | 283 |
| | 02/86 | 12,819 | 529 |
| 36 | Simco Stores, Inc. 07/85-R | 7,423 | −2,370 |
| | ***Sales Total:*** | ***12,684,445*** | |

* Where available, quarterly data have been added to show trailing 12 months' performance. This information appears directly below fiscal year data for each company.
\+ Unavailable § Operating Earnings

inventory turns down another notch to 2.86, marking the second consecutive year when the group fell below 3.0. With most of the other ratios remaining constant, and few surprises on the industry's balance sheet, footwear's poor profit showing can readily be traced to higher expenses, too much inventory, and imports.

### *Imports Up To 76%.*

Domestic production of non-rubber footwear units dropped 12% in 1985, while imports grew by 16%. Total supply to a sluggish market thus increased by 8%, with the imported share of it rising from 71% to 76%. In wholesale dollars, imports went from 51% to 61% of the U.S. market, and value per pair remained virtually unchanged. (However, the unit value of shoes produced domestically dropped by 10%.)

Against such a background, it is no surprise that only five of the 16 companies in the Profile's Manufacturer/Resource segment derive 100% of their sales from manufacturing footwear in the U.S. All the other firms in the Profile import some or all of their lines, or combine manufacturing/sourcing with retailing, or do business in footwear and other product areas.

### *Nosedive for Manufacturing Segment.*

Both "pure" manufacturers and hybrids in this classification suffered in fiscal 1985. After-tax income dropped 97% to $648,000 for all 16 companies, which yielded a sickly 0.05% on sales. In 1981, the same firms made $58 million – 4.6% of sales.

Gross profit for the segment declined slightly in 1985, and SG&A increased to 26% (it was 21% in 1981). Operating earnings slipped a full two percentage points, pushing pre-tax profit down to less than 1% of sales.

If *Converse*, *Nike*, and *Hyde* were still part of the Manufacturer/Resource segment, they would have had only a minimal impact on its results – 0.4% after-tax income instead of 0.05%. Including *Reebok* (not in last year's Profile) would have lifted all the numbers and distorted the picture. Unquestionably, footwear manufacturers were in trouble.

### *Athletic Sector A Winner.*

This year's Profile segregates the three athletic footwear specialists (audited results for *Hyde* were not obtainable, and it is not profiled). The new segment turned in the best performance among footwear's sub-industries, despite a 14% drop in composite profits on an 18% increase in sales.

This segment's return on sales was 3.4%, even though SG&A hit a peak 21.3% (13.3% in 1981), and operating earnings were under 10% for the first time in five years.

On its own, *Reebok* accounted for 20% of the group's sales, and 75% of its profits. The company's remarkable growth in 1985 included a 365% jump in sales, and 534% more profits. Net income after taxes was 12.7% of sales; return on equity a stunning 43.9%.

Increased competition in the athletic footwear market undoubtedly contributed to the sharp rise in SG&A expenditures during fiscal 1985. Among them, *Reebok*, *Nike*, and *Converse* spent almost as much in this area as all 27 profiled companies combined.

### *Retailing Slide.*

Sales were off $218 million (12%) for the five firms in this segment, which led to a 23% drop in bottom-line dollars.

*Edison Brothers* and *Simco* accounted for the decline. *Shoe-Town* turned in an 8% gain in sales, but its profits were reduced to 5.6% – a shade behind *Wiener Enterprises* for the lead.

This is a relatively small sample; there are few public companies that can be classified as footwear retailers *per se*, and even *Edison* does one-third of its volume in apparel.

So it is difficult to get a handle on footwear retailing performance, even in the public sector. The bulk of the business, about $5 billion, is done by the multi-industry firms listed below. *Melville's* footwear sales in 1985 almost matched the total done by the entire retailing segment, and that represented only 32% of its total volume.

### *Profit Problems in Diversified.*

Another new three-company segment was created for this year's Profile to separate large multi-industry companies with strong footwear orientations from conglomerates whose footwear activities represent less than half of their sales. The Diversified segment – *Brown Group, Genesco,* and *U.S. Shoe* – derived at least 47% of their revenues from footwear in 1985, and their complete financial reports are in the Profile. Footwear sales and operating earnings only are reported (page 2) for companies like *Melville, Woolworth, Interco,* and *The May Co.*

The Diversified Group mirrored the entire Profile; sales were off slightly, but profits dropped 27%... *Brown* managed to hold on to a 3.5% return on $170 million less sales by controlling its cost of goods sold, SG&A, and interest expenses. An extraordinary loss of $11 million brought its bottom line down to 2.7%... *Genesco's* fiscal 1985 year ended last January, with only a slight drop in profits. However, its FYE 1/86 showed a huge loss that will not show up until next year's Profile.

Although its sales rose 14% in fiscal 1985 (and another 12% in 1986), *U.S. Shoe* gave up 29% of its profit due to a significant increase in SG&A. The strong push to expand its retail activities (over 2,000 stores and growing) took extra promotion as well as 90% of its capital expenditures. However, the company reports higher productivity from recent investments in its women's footwear manufacturing capacity.

### *Bouncing Back.*

*U.S. Shoe* reflects the footwear industry's continuing emphasis on retail expansion, and its recently renewed emphasis on raising productivity in selected product areas. New technology aimed at increasing flexibility and shortening response time has piqued the interest of domestic footwear manufacturers – despite the continued growth of imports.

These positive moves, supported by a number of healthy first quarter reports, offer realistic expectations for a decent rebound in next year's Footwear Profile.

## *Footwear Portion of Total Sales*
### *(10 Largest Multi-Industry Firms)*

| | | | % of Total Sales |
|---|---|---|---|
| Melville (12/85) | $1,506,243 | (R) | 32% |
| Woolworth (1/85) | 1,419,000 | (R) | 25 |
| Brown Group (10/85) | 1,074,253 | (M&R) | 77 |
| U.S. Shoe (1/85) | 574,822 | (M) | 33 |
| | 236,673 | (R) | 14 |
| (1/86) | 605,315 | (M) | 32 |
| | 223,184 | (R) | 12 |
| Interco (2/85) | 580,467 | (M&R) | 22 |
| (2/86) | 558,300 | (M&R) | 22 |
| Nike (5/85) | 567,823 | (M) | 60 |
| May Co (Volume Shoe) (1/85) | 543,400 | (R) | 12 |
| (1/86) | 696,700 | (R) | 14 |
| Edison Bros. (12/85) | 527,700 | (R) | 65 |
| Genesco (1/85) | 193,076 | (M) | 32 |
| | 256,877 | (R) | 43 |
| (1/86) | 163,616 | (M) | 30 |
| | 250,832 | (R) | 47 |
| SCOA (1/85) | 221,670 | (R) | 16 |

M (Manufacturing) and R (Retailing) % breakdowns shown where available.

| 85 SALES RANK | COMPANY | A.T. INCOME ON SALES % | 85 | 84 |
|---|---|---|---|---|
| 25 | AMFESCO 06/85-M | -26.95 | 31 | 1 |
| 21 | R G BARRY CORP 12/85-M | 0.09 | ++ | 23 |
| 5 | BROWN GROUP INC 10/85-D | 3.48 | 11 | 14 |
| 16 | CONVERSE INC 12/85-A | 1.69 | 16 | 5 |
| 22 | CRADDOCK-TERRY SHOE CORP 09/85-M | 1.54 | 17 | 30 |
| 31 | DANIEL GREEN COMPANY 12/85-M | 6.99 | 2 | 4 |
| 7 | EDISON BROTHERS STORES INC 12/85-R | 2.68 | 14 | 15 |
| *** | GENESCO (07/84)01/85-D | 1.71 | + | 17 |
| 32 | INTERNATIONAL SEAWAY TRADING C 12/85-M | 2.78 | + | 33 |
| 33 | MCRAE INDUSTRIES INC 07/85-M | 3.73 | 10 | 31 |
| 10 | MORSE SHOE INC 12/85-R | 1.32 | 18 | 19 |
| 6 | NIKE INC 05/85-A | 0.72 | 20 | 7 |
| 35 | PENOBSCOT SHOE COMPANY 11/85-M | 2.39 | 15 | 16 |
| 12 | REEBOK INTERNATIONAL 12/85-A | 12.69 | 1 | 2 |
| 30 | SHAER SHOE CORP 10/85-M | 6.87 | 3 | 3 |
| 18 | SHOE-TOWN INC 12/85-R | 5.65 | 5 | + |
| 36 | SIMCO STORES INC 07/85-R | -31.93 | 32 | 32 |
| 29 | SPORTO CORP 01/85-M | -4.81 | 28 | 10 |
| 14 | THE STRIDE RITE CORP 11/85-M | 3.85 | 9 | 18 |
| 23 | SUAVE SHOE CORPORATION 09/85-M | -6.47 | 30 | 29 |
| 26 | TONY LAMA COMPANY INC 12/85-M | -0.78 | 26 | 13 |
| 3 | US SHOE CORP 01/85-D | 3.11 | 12 | 6 |
| 28 | B B WALKER COMPANY 10/85-M | -1.24 | 27 | 22 |
| 34 | WELLCO ENTERPRISES 06/85-M | 6.89 | + | 34 |
| 20 | WEYENBERG SHOE MFG CO 12/85-M | 4.29 | 8 | 11 |
| 27 | WIENER ENTERPRISES INC 01/85-R | 5.68 | 4 | + |
| 11 | WOLVERINE WORLD WIDE INC 12/85-M | 1.02 | 19 | 21 |

\+ Extraordinary gains exceed 1% of net sales
++ Extraordinary losses exceed 1% of net sales
*** Fiscal year change; (previous) and current year end dates shown

# Footwear Performance Profile
## Fiscal 1985

| RETURN ON TOTAL EQUITY | | | TOTAL DEBT TO ASSETS | | | RETURN ON TOTAL ASSETS | | | SALES TO TOTAL ASSETS | | | GROSS PROFIT | | | OPERATING EARNINGS | | | INVENTORY TURNS | | | RETURN ON INVESTED CAPITAL | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| % | 85 | 84 | % | 85 | 84 | % | 85 | 84 | % | 85 | 84 | % | 85 | 84 | % | 85 | 84 | % | 85 | 84 | % | 85 | 84 |
| -59.05 | 26 | 2 | 0.64 | 2 | 15 | -21.38 | 31 | 4 | 0.79 | 31 | 31 | -5.55 | 36 | 26 | -11.28 | 35 | 3 | 2.34 | 27 | 16 | -57.51 | 26 | 3 |
| -4.48 | ++ | 23 | 0.62 | 4 | 4 | -1.71 | ++ | 23 | 1.80 | 18 | 13 | 35.48 | 11 | 13 | 1.51 | 23 | 20 | 3.92 | 9 | 5 | -1.99 | ++ | 23 |
| 10.03 | 12 | 12 | 0.41 | 18 | 15 | 5.95 | 13 | 10 | 2.20 | 5 | 6 | 42.21 | 4 | 6 | 6.50 | 14 | 17 | 2.51 | 25 | 17 | 8.66 | 13 | 11 |
| 4.53 | 16 | 9 | 0.52 | 9 | 8 | 2.16 | 18 | 9 | 1.28 | 28 | 25 | 28.59 | 21 | 17 | 3.63 | 20 | 6 | 2.06 | 29 | 23 | 2.97 | 19 | 10 |
| 3.76 | 18 | 25 | 0.39 | 20 | 13 | 2.28 | 17 | 30 | 1.48 | 27 | 28 | 31.12 | 15 | 19 | 5.96 | 15 | 9 | 2.53 | 24 | 27 | 3.21 | 17 | 25 |
| 14.51 | 8 | 8 | 0.16 | 30 | 30 | 12.25 | 4 | 5 | 1.75 | 19 | 13 | 30.14 | 17 | 15 | 14.12 | 2 | 2 | 2.66 | 21 | 18 | 14.51 | 7 | 4 |
| 12.51 | 10 | 13 | 0.44 | 15 | 20 | 6.96 | 10 | 14 | 2.08 | 11 | 8 | 33.30 | 13 | 16 | 7.79 | 10 | 18 | 3.36 | 13 | 9 | 9.55 | 11 | 13 |
| 13.66 | + | 4 | 0.63 | 3 | 3 | 5.07 | + | 15 | 1.85 | 17 | 16 | 36.04 | 9 | 9 | 4.63 | 18 | 19 | 2.85 | 18 | 20 | 7.35 | + | 15 |
| 14.57 | + | 28 | 0.20 | 29 | 22 | 11.66 | + | 33 | 2.19 | 6 | 15 | 20.83 | 27 | 28 | 1.49 | 24 | 33 | 4.39 | 6 | 10 | 14.57 | + | 28 |
| 14.07 | 9 | 26 | 0.44 | 15 | 14 | 7.83 | 9 | 31 | 2.10 | 9 | 24 | 20.45 | 28 | 31 | 10.06 | 7 | 34 | 8.24 | 2 | 2 | 12.72 | 8 | 26 |
| 5.39 | 15 | 18 | 0.48 | 11 | 15 | 2.80 | 15 | 17 | 2.11 | 8 | 5 | 39.52 | 7 | 8 | 4.21 | 19 | 22 | 2.44 | 26 | 24 | 3.55 | 16 | 18 |
| 3.78 | 17 | 11 | 0.46 | 14 | 9 | 2.04 | 19 | 12 | 1.88 | 16 | 22 | 26.33 | 23 | 23 | 4.68 | 17 | 7 | 2.99 | 15 | 26 | 3.67 | 15 | 9 |
| 3.19 | 20 | 20 | 0.12 | 31 | 31 | 2.79 | 16 | 19 | 1.17 | 29 | 30 | 29.39 | 18 | 22 | -1.63 | 31 | 26 | 4.12 | 8 | 7 | 3.17 | 18 | 20 |
| 43.91 | 1 | 1 | 0.40 | 19 | 1 | 26.19 | 1 | 2 | 2.06 | 12 | 19 | 42.51 | 3 | 5 | 25.09 | 1 | 1 | 4.35 | 7 | 28 | 43.57 | 1 | 1 |
| 16.46 | 6 | 3 | 0.21 | 28 | 28 | 13.08 | 3 | 1 | 1.90 | 15 | 9 | 16.95 | 29 | 27 | 10.06 | 7 | 4 | 14.35 | 1 | 1 | 16.46 | 5 | 2 |
| 20.55 | 4 | + | 0.57 | 6 | 4 | 8.76 | 8 | + | 1.55 | 24 | 26 | 43.13 | 2 | 1 | 12.06 | 5 | 5 | 1.66 | 30 | 31 | 11.61 | 9 | + |
| -72.04 | 27 | 27 | 0.33 | 24 | 29 | -48.52 | 32 | 32 | 1.52 | 26 | 27 | 31.34 | 14 | 3 | -38.23 | 36 | 36 | 2.16 | 28 | 29 | -68.70 | 27 | 27 |
| -11.87 | 23 | 14 | 0.33 | 24 | 27 | -7.90 | 28 | 8 | 1.64 | 22 | 10 | 22.17 | 25 | 24 | -5.98 | 33 | 13 | 2.64 | 22 | 14 | -11.83 | 23 | 12 |
| 10.02 | 13 | 19 | 0.39 | 20 | 22 | 6.16 | 12 | 20 | 1.53 | 25 | 19 | 40.66 | 5 | 10 | 5.89 | 16 | 23 | 2.79 | 19 | 25 | 9.01 | 12 | 19 |
| -23.03 | 24 | 24 | 0.44 | 15 | 20 | -12.98 | 29 | 29 | 2.00 | 14 | 12 | 9.52 | 30 | 29 | -7.86 | 34 | 32 | 5.56 | 5 | 4 | -18.55 | 24 | 24 |
| -1.74 | 21 | 16 | 0.53 | 7 | 11 | -0.81 | 26 | 16 | 1.04 | 30 | 28 | 24.33 | 24 | 20 | 0.57 | 25 | 16 | 1.53 | 31 | 30 | -1.15 | 21 | 17 |
| 12.49 | 11 | 7 | 0.47 | 12 | 15 | 6.62 | 11 | 6 | 2.13 | 7 | 7 | 39.28 | 8 | 4 | 6.80 | 12 | 8 | 3.10 | 14 | 13 | 11.29 | 10 | 7 |
| -10.61 | 22 | 21 | 0.81 | 1 | 2 | -2.00 | 27 | 22 | 1.61 | 23 | 17 | 27.04 | 22 | 25 | 2.27 | 21 | 25 | 2.88 | 17 | 12 | -4.94 | 22 | 22 |
| 41.21 | + | 29 | 0.47 | 12 | 4 | 21.80 | + | 34 | 2.10 | 9 | 10 | 22.11 | 26 | 30 | 12.07 | 4 | 35 | 7.37 | 3 | 11 | 31.36 | + | 29 |
| 14.71 | 7 | 10 | 0.27 | 27 | 25 | 10.73 | 6 | 7 | 2.50 | 4 | 4 | 34.76 | 12 | 14 | 7.38 | 11 | 15 | 5.81 | 4 | 3 | 14.71 | 6 | 8 |
| 22.82 | 2 | + | 0.35 | 23 | 22 | 14.95 | 2 | + | 2.63 | 3 | 3 | 45.98 | 1 | 2 | 10.54 | 6 | 10 | 2.57 | 23 | 15 | 20.36 | 3 | + |
| 3.45 | 19 | 22 | 0.50 | 10 | 9 | 1.73 | 20 | 21 | 1.70 | 21 | 22 | 29.19 | 19 | 21 | 1.82 | 22 | 24 | 2.70 | 20 | 22 | 2.23 | 20 | 21 |

### *Reebok Finds Resilience In Athletic Footwear*

After years of impressive growth, *Nike* and *Converse* suffered significant profit declines in 1985, suggesting a worn out market for athletic footwear. However, *Reebok* (a gazelle) has shown that there's plenty of bounce left.

Tracing its roots to the original development of spiked running shoes in England at the turn of the century, the recently formed U.S. company has concentrated on designing products for serious sports and fitness enthusiasts, relying on intensive consumer research and restricting its distribution to athletic specialty stores, pro shops, and the like. It has approached one field at a time, progressing from running shoes to aerobics, fitness, and tennis.

According to *Reebok's* annual report (whose first 14 pages contain no financial numbers, but a history of athletic footwear), aerobics shoes constituted 47% of its business in 1985, tennis 29%, and fitness 16%. Its next targets: basketball shoes (one-third of the athletic footwear market) and apparel.

### *Classifications*

Sub-industry segments have been revised this year in recognition of the fact that the footwear industry resists easy classification. Further, the financial data of companies that are not primarily engaged in footwear are no longer included in the Profile.

***Manufacturing/Resources (M)*** includes companies deriving 50% or more of their sales from footwear manufacturing or importing.

***Athletic (A)*** includes companies that meet the above definition, but specialize in athletic footwear.

***Retailing (R)*** covers companies deriving 50% or more of their sales from footwear retailing.

***Diversified (D)*** is an arbitrary classification set up for companies primarily engaged in footwear, although they also derive some of their sales from other product categories. These companies manufacture, import, and retail footwear.

***Conglomerates (C)*** are companies whose footwear volume, from either manufacturing or retailing, is significant but represents less than 50% of their sales. Their sales and operating earnings appear only in the Sales & Earnings table on page 2.

# Industry Segment Results

| Industry Segments | No. of Firms Reported | Sales ($000) | Net Income ($000) | Net After-Tax Income on Sales % | Return on Total Equity % | Total Debt to Assets | Return on Total Assets% | Sales to Total Assets | Gross Profit % | Oper. Earn. % | Inv. Turns | Return on Invested Capital % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***Manufacturers/Resources (M)*** | | | | | | | | | | | | |
| 1985 | 16 | 1,373,700 | 1,262 | .09 | .27 | .46 | .15 | 1.58 | 28.52 | 2.45 | 3.00 | .21 |
| 1984 | 16 | 1,432,578 | 24,002 | 1.68 | 5.04 | .45 | 2.76 | 1.65 | 29.31 | 4.59 | 3.05 | 3.91 |
| ***Retailers (R)*** | | | | | | | | | | | | |
| 1985 | 5 | 1,555,239 | 43,038 | 2.77 | 10.62 | .47 | 5.64 | 2.04 | 36.81 | 6.82 | 2.75 | 7.51 |
| 1984 | 5 | 1,773,468 | 55,870 | 3.15 | 12.03 | .43 | 6.89 | 2.19 | 35.58 | 5.43 | 3.09 | 9.60 |
| ***Diversified (D)*** | | | | | | | | | | | | |
| 1985 | 3 | 3,713,490 | 107,611 | 2.90 | 11.64 | .48 | 5.10 | 2.10 | 39.86 | 6.34 | 2.82 | 9.50 |
| 1984 | 3 | 3,685,697 | 148,029 | 4.02 | 16.74 | .48 | 8.74 | 2.18 | 39.77 | 7.81 | 3.13 | 12.82 |
| ***Athletic Footwear Mfg. (A)*** | | | | | | | | | | | | |
| 1985 | 3 | 1,473,260 | 52,946 | 3.59 | 11.96 | .46 | 6.42 | 1.79 | 30.04 | 8.78 | 2.94 | 10.72 |
| 1984 | 3 | 1,251,426 | 61,302 | 4.90 | 16.82 | .53 | 7.91 | 1.62 | 29.89 | 11.28 | 2.45 | 14.77 |
| ***Composite Total*** | | | | | | | | | | | | |
| 1985 | 27 | 8,115,689 | 204,857 | 2.52 | 9.15 | .47 | 4.85 | 1.92 | 35.58 | 6.22 | 2.86 | 7.31 |
| 1984 | 27 | 8,143,169 | 289,203 | 3.55 | 13.21 | .47 | 6.97 | 1.96 | 35.50 | 7.26 | 2.97 | 10.46 |

# Top Performers

## Return on Total Equity

| | | 1985 % | 1981-85 % | 1981-85 Rank |
|---|---|---|---|---|
| 1 | Reebok Intl. (A) | 43.91 | – | – |
| 2 | Wellco Ent. (M) § | 41.21 | 1.27 | 18 |
| 3 | Wiener Ent. (R) | 22.82 | 9.58 | 12 |
| 4 | Shoe-Town (R) | 20.55 | – | – |
| 5 | Shaer Shoe (M) | 16.46 | 13.55 | 6 |

## Net Income on Sales

| | | 1985 % | 1981-85 % | 1981-85 Rank |
|---|---|---|---|---|
| 1 | Reebok Intl. (A) | 12.69 | – | – |
| 2 | Wellco Ent. (M) | 10.39 | .38 | 18 |
| 3 | Daniel Green (M) | 6.99 | 7.69 | 1 |
| 4 | Shaer Shoe (M) | 6.87 | 5.34 | 2 |
| 5 | Wiener Ent. (R) | 5.68 | 1.85 | 13 |

§ Without extraordinary income, Wellco's ROE was 27.32% and After-Tax Income was 6.89%.

# Composite Profit and Loss Data – Footwear Industry

| FISCAL PERIOD ENDING | 1985 | | 1984 | | 1983 | | 1982 | | 1981 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | $ | PCT | $ | PCT | $ | PCT | $ | PCT | $ | PCT |
| Net Sales | 8115689 | 100.00 | 8143169 | 100.00 | 7616976 | 100.00 | 6733980 | 100.00 | 6175259 | 100.00 |
| -Cost of Goods Sold | 5228525 | 64.42 | 5252553 | 64.50 | 4850516 | 63.68 | 4353808 | 64.65 | 4007132 | 64.89 |
| Gross Profit | 2887164 | 35.58 | 2890616 | 35.50 | 2766460 | 36.32 | 2380172 | 35.35 | 2168127 | 35.11 |
| -Sell. Gen. & Admin | 2382669 | 29.36 | 2299425 | 28.24 | 2083209 | 27.35 | 1828620 | 27.16 | 1639274 | 26.55 |
| Operating Earnings | 504495 | 6.22 | 591191 | 7.26 | 683251 | 8.97 | 551552 | 8.19 | 528853 | 8.56 |
| -Interest Expense | 101767 | 1.25 | 93619 | 1.15 | 97270 | 1.28 | 90554 | 1.34 | 80809 | 1.31 |
| Misc. Inc. or Exp. | -16701 | -0.21 | 11097 | 0.14 | 9159 | 0.12 | -18043 | -0.27 | 15863 | 0.26 |
| Income Before Tax | 386027 | 4.76 | 508669 | 6.25 | 595140 | 7.81 | 442955 | 6.58 | 463907 | 7.51 |
| - Income Tax | 185815 | 2.29 | 226779 | 2.78 | 279847 | 3.67 | 205741 | 3.06 | 211585 | 3.43 |
| Income After Tax | 200212 | 2.47 | 281890 | 3.46 | 315293 | 4.14 | 237214 | 3.52 | 252322 | 4.09 |
| Extraordinary Income | 4645 | 0.06 | 7313 | 0.09 | 7530 | 0.10 | 82 | 0.00 | 6927 | 0.11 |
| Net Income | 204857 | 2.52 | 289203 | 3.55 | 322823 | 4.24 | 237296 | 3.52 | 259249 | 4.20 |

| FLOW OF FUNDS ANALYSIS | | | | | |
|---|---|---|---|---|---|
| Working Cap at Start | 1840958 | 1804320 | 1496737 | 1360433 | 1136453 |
| Net Income | 204857 | 289203 | 322823 | 237296 | 259249 |
| Depreciation | 127493 | 124815 | 111143 | 95383 | 84810 |
| Change in L-T Debt | -12427 | -38832 | 4322 | 65925 | 45698 |
| Change in Deferred | 39186 | 38423 | -5199 | 10019 | 10081 |
| Change in Pref Stk | 21163 | -14516 | -47714 | -19149 | 14907 |
| Change in Common | 45123 | 10438 | 235321 | 22414 | 69293 |
| Dividends Paid | -95503 | -85375 | -70387 | -66772 | -62543 |
| Capital Expend | -209532 | -236282 | -186695 | -167746 | -184855 |
| Misc Assets Change | -10534 | -48944 | -19198 | -12109 | 570 |
| Misc Transactions | -41770 | -2292 | -36833 | -28957 | -13230 |
| Working Cap at End | 1909014 | 1840958 | 1804320 | 1496737 | 1360433 |

### *Disclaimer*

The information presented in this Performance Profile was obtained from available annual reports made by public companies to their stockholders and to the Securities and Exchange Commission. While we believe the information furnished to be reliable, no representations are made as to the accuracy thereof. Kurt Salmon Associates assumes no responsibility for any errors in the Performance Profile, whether of omission or commission. Information presented herein is based solely on publicly-available data; the confidentiality of KSA's client relationships has been maintained throughout. KSA's Financial Performance Profile is intended solely for the statistical information of the purchaser. It is not a representation, prospectus, or circular in respect of any stock or security of any corporation. The data and comments contained herein do not constitute investment advice in any form.

### *The Complete Profile*

A full print-out covering fiscal years ending 1981 through 1985 is available for in-depth comparisons and study.

For each of the companies, as well as the industry segment composites and the total industry aggregate, the report contains a full financial statement, a balance sheet, and a comprehensive list of ratios.

It is available from KSA in print or diskette (dBaseIII) at a cost of $200.

Kurt Salmon Associates

*management consultants*

400 Colony Square, Atlanta, Georgia 30361 • 404/892-0321

350 Fifth Avenue, New York, New York 10118 • 212/564-3690

Dallas • Greensboro • Los Angeles • Nashville • Princeton • Montreal • United Kingdom • West Germany • Spain • Switzerland • Hong Kong


Printed in USA/6-86/1M